

Message Text

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ACTION EA-09

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INFO USLO PEKING

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CINCPAC

C O N F I D E N T I A L HONG KONG 1770

NOFORN

CINCPAC FOR POLAD

E.O. 11652: XGDS-2

TAGS: PINT CH

SUBJ: CHIEF NCNA REPORTER IN HONG KONG COMMENTS ON DEFENSE

BUDGET: TENG HSIAO-PING

SUMMARY: IN A TWO-HOUR CONVERATION, NCNA'S CHIEF REPORTER IN HONG KONG, SZETO KEUNG, TOLD CONGEN OFFICER THAT THERE WILL ALWAYS BE SOME DISCUSSION OVER THE DEFENSE BUDGET AND REVEALED THAT IT MAY BE STOE TIME BEFORE TEN HSIAO-PING RETURNS TO PROMINENCE. END SUMMARY.

1. AT A FEB 10 LUNCHEON MEETING, NCNA REPORTER SZETO KEUNG FRANKLY DISCUSSED RECENT PRC EVENTS, INCLUDING PRESS ATTENTION TO CHINA/S DEFENSE BUDGET. HE STATED THAT THE ON-GOING MEETINGS IN PEKING WERE INDICATIVE OF BROAD AGREEMENT OVER DEFENSE PRIORITIES BUT ADMITTED THAT THERE WILL PROBABLY
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ALWAYS BE "SOME DISUCSSION" OVER THE MILITARY BUDGET. HE SAID THAT WESTERNERS TOO OFTEN TAKE AN "EITHER/OR VIEW, I.E. IF RESOURCES ARE INVESTED IN DEFENSE CONSTRUCTION, THEN ECONOMIC CONSTRUCTION SUFFERS. HE SAID THAT THE CURRENT POLICY, LAID DOWN BY MAO IN THE "TEN MAJOR RELATIONSHIPS," IS DESIGNED TO ACHIEVE A MORE BALANCED DEVELOPMENT OF THE DEFENSE AND ECONOMIC SECTORS. WITHIN THE DEFZSSE SECTOR, MODERN WEAPONS WITH SOME

IMPORTATIT

OF FOREIGN TECHNOLOGY WOULD CONTINUE BUT THE PEOPLE'S
LIBERATION ARMY WOULD BE CAREFUL NOT TO FORGET THAT "MEN" ARE
THE MOST IMPORTANT FACTOR IN WAR.

2. CONGEN OFFICER THEN NOTED RECENT STORIES THAT TENG HSIAO-PING'S BROTHER TENG KEN'S APPEARANCE IN WUHAN (HK 1565) COULD BE ANOTHER SIGNAL THAT TENG HSIAO-PING WOULD SOON BE RETURNING TO AN IMPORTANT POSITION. SZETO REPLIED THAT OF COURSE TENG HSIAO-PING WAS A "GOOD COMRADE," BUT SAID HE HAD NEVER HEARD THE STORY THAT TENG KEN WAS A BROTHER OF THE FORMER VICE PREMIER. HE QUICKLY ADDED, HOWEVER, THAT IT COULD BE TRUE. ON THE QUESTION OF TENG HSIAO-PING'S RETURN, HE SAID THAT HE PERSONALLY "DOESN'T PAY ANY ATTENTION TO THIS QUESTION." HE NOTED THAT TENG'S MISTAKES ARE CLEARLY IN THE LESS SERIOUS CATEGORY OF BEING "CONTRADICTIONS AMONG THE PEOPLE" AND HIS STATUS WILL BE RESOLVED IN TIME. CONGEN OFFICER REPLIED THAT MANY FOREIGN PRESS REPORTS SPECULATED THAT THERE IS DISAGREEMENT IN THE POLITBURO OVER TENG'S STATUS. SZETO REPLIED THAT THE DISAGREEMENT WAS PROBABLY NOT THE SERIOUS BUT ADDED THAT LIVELY AND FRANK DISCUSSION WAS AN IMPORTANT ASPECT OF DEMOCRATIC CENTRALISM. IN ANY CASE, TENG'S STATUS WOULD BE RESOLVED AFTER DISCUSSION BY THE CENTRAL COMMITTEE. IN RESPONSE TO A QUESTION, SZETO SAID THE TIMING OF TENG'S RETURN WAS UNCERTAIN AND DID NOT NECESSARILY HAVE TO COME BEFORE THE ANNIVERSARY OF THE APRIL 1976 TIEN AN MEN INCIDENT. SZETO VOLUNTEERED THAT THE TENG QUESTION AND ISSUES SURROUNDING THE APRIL 1976 RIOTS HAVE BEEN SUFFICIENTLY DEFUSED SO THAT "WE DON'T EXPECT ANY TROUBLE
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THIS YEAR".

3. IN A BRIEF DISCUSSION OF THE 1975 CAMPAIGN AGAINST THE HISTORICAL NOVEL WATER MARGIN, SZETO STATED THAT THE REAL TARGET OF THE CAMPAIGN HAD BEEN THE "GANG OF FOUR" AND PARTICULARLY CHIANG CHING. HE NOTED THAT THE "GANG OF FOUR" HAD MISCONSTRUED THAT CAMPAIGN, AND DURING LAST YEAR'S CAMPAIGN AGAINST TENG HSIAO-PING THE "GANG" HAD INCORRECTLY ATTACKED "TENG'S LINE" WHICH REPRESENTED CHOU AND MAO'S POLICIES. THUS, CURRENT MEETINGS IN CHINA SHOULD BE SEEN AS AN EFFORT TO SORT OUT THESE QUESTIONS AND ACHIEVE CLEAR GUIDELINES FOR THE DEVELOPMENT OF THE PRC AS A "POWERFUL MODERN SOCIALIST STATE".

4. ATMOSPHERICS: SZETO WAS VERY RELAXED AND SUGGESTED THAT SUCH "PRIVATE" MEETINGS SHOULD CONTINUE SO "I CAN BE MORE FRANK". CONGEN OFFICER HAD ORIGINALLY SUGGESTED THAT HE COME TO HIS OFFICE BUT SZETO SAID HE PREFERRED MEETING OVER LUNCH SINCE DISCUSSIONS IN HIS OFFICE WOULD BE "OFFICIAL".
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